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A METHODOLOGY FOR ASSESSING THE QUALITY OF CORPORATE GOVERNANCE IN NIGERIAN BANKS

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Abstract

Effective corporate governance is becoming central to achieving success in the global business environment. Corporate governance rating entails attaching a measure to the quality of corporate governance mechanisms in organizations. Currently there is no industry-specific rating system in Nigeria which would factor in the peculiarities of the industry and thus bring out more meaningful and comparative ratings. This study designed a corporate governance rating structure for Nigerian banks, as a tool with which banks and other stakeholders can measure bank's corporate governance performance. This designed rating structure is industry (banking) specific, and utilizes a methodology designed majorly around the code of corporate governance for the banking industry issued by the Chartered Institute of Bankers of Nigeria in 2014. It is assumed that the banking industry aside the individual banks share some common culture and context, and as such developing a methodology around this industry would be invaluable. The resulting rating quotient is described as BI-CGQ (Banking Industry-Corporate Governance Quotient). The three pronged approach in this methodology used the following bases and weights in computing the BI-CGQ: Questionnaire Analysis (50%); Corporate Governance Disclosure Index (25%) and Loan Loss Index (25%). Its applicability was demonstrated in this research with the top 5 Nigerian banks which are listed among the leading 1000 Global Banks in 2014. Corporate governance quality was found to be evidently high in these top banks with BI-CGQ of 91.13% (GTB), 87.61% (Zenith), 89.58% (UBA), 91.36% (Access) and 82.62% (FBN). In addition to demonstrating the applicability of this methodology, computing BI-CGQ for these banks enabled the determination of commonalities in the assessed performance of individual banks across the governance areas examined, which illustrated possible common governance challenges in specific areas. Results showed that different standards and expectations are set by board of directors, shareholders and customers. Banks appeared to be more

challenged in governance matters relating to charges and interest, the manner customers complaints are attended to, and the clarity of terms and conditions to customers. Inadequate disclosure was found to be more glaring on matters relating to board committees. In spite of the criticisms that trail the use of corporate governance ratings, the system remains a useful guide in assessing quality of governance.

Keywords: *Methodology, Quality, Corporate Governance, Nigerian Banks*

Background to the Study

Corporate Governance encompasses accountability and culture of an organization as reflected in its line of business, decision making processes, leadership styles, authority and its different approaches to accomplishment of tasks. It can be described as an internal system encompassing policies, processes and people that serve the needs of stakeholders by directing and controlling managers or management activities with a good business knowledge, understanding, objectivity, integrity and accountability. Similarly, Rwengasira (2000) sees corporate governance as a concept concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction.

Arguably, the ideas and issues of corporate governance can be described as a recent phenomenon. It is a concept having many facets, and it is one of the most important concepts recently developed by business and financial experts (Oso and Semiu, 2012). Prior to the evolution of enterprises as complex structures, the management of businesses had been handled on individual basis (usually owners) rather than corporate strategic system of administration where ownership is distinct from control with profound disclosure requirements. According to Crawford (2007), corporate governance became a subject of significant discourse in the United States and around the globe in the late 1970s. This has been driven by the needs and desires of share holders to exercise their rights of corporate ownership and to increase shareholders' wealth.

The concept gained more prominence by the first half of the 1990s following the wave of dismissals of chief executive officers of companies such as IBM, Honeywell and Kodak (all in the United States) by their boards of directors. More interestingly, there were issues of shareholders' activism evident in the country under the aegis of the Californian Public Employers' Retirement System (CALPERS) in order to uphold the value of corporate governance despite the traditionally pleasant relationships that exist between chief executive officers and boards of directors. Rossouw (2005) maintained that the great value of corporate governance has in recent years created an unimaginable surge around the world and the phenomenon is also evident in the volume of corporate governance reports that have been produced and published.

Additionally, corporate governance hinges on a clear cut process of directing and controlling the whole essence of companies or business corporations, encapsulating the principles of integrity, honesty, accountability and transparency, so as to satisfy the

interest of all stakeholders. This wisdom encourages the acceptability of the concept in recent times, especially when considering the widespread corporate scandals and failures which were rooted in fraudulent management decisions and cover-ups of unlawful activities. Examples of such include the Asian and Latin American financial crises of the 1990s and the recent financial scandals in the 2000s, which led to the breakdown of world class corporations like Parmalat, Barrings Bank and Enron. According to Wilson (2006), the failure of these companies taught the corporate world a clear lesson that no company or bank can be too big financially or otherwise to fail. He further maintained that the reason for these monumental corporate failures could be traced to poor corporate governance structure, poor supervision, regulation and management. In essence, events in the global market space justify the position of corporate governance as an important area of business corporations. Jayashree (2006) said corporate governance should be seen as a way of life for organizations and not a set of rules.

Although the background of corporate governance in Nigeria can be said to be distorted and obscure, it cannot be divorced from company law in general. Before corporate governance became popular, company law recognized and still recognizes two organs of a company namely: the board of director and the company in general meeting. Corporate governance as a concept merely emphasized the greater focus on how a company should be run by those at the helm of affairs. Unsurprisingly, the importance of the board of directors in instilling the tenets of sound corporate governance in every company cannot be denied. Their prominence is evident in model definitions of corporate governance, which regards it as the processes and structures by which the business and affairs of an institution are directed and improved in order to improve the long-term shareholder value by enhancing corporate performance and accountability, while taking into cognizance the interest of stakeholders.

The banking industry plays a major intermediation role in any economy, considering that they are saddled with the responsibility of mobilizing savings from surplus units to deficit units, particularly private enterprises for the purpose of expanding their businesses (Oghojafor, Olayemi, Okonji and Okolie, 2010). It is also believed that corporate governance practices are important for banks because it results in higher market value, lower cost of funds and increased profit (Claessen, 2006). A major fillip for corporate governance in Nigerian banks was the consolidation exercise in 2005 which saw nearly 80 banks reduced to 25 mega banks in order to attain a minimum capital base of approximately 25billion naira. The processes of mergers and acquisitions brought unique governance challenges because of the new size of banks, which made the CBN to issue a mandatory corporate governance codes for Nigerian banks. Some other industries followed suit by introducing these codes in their respective sectors, especially the insurance and pension regulators.

Besides the impetus that the introduction of these codes provided, socio economic factors have necessitated improvement in corporate governance. There has been a proliferation of business membership organizations that promote corporate governance among their

members. Furthermore, Nigerian companies, including banks are becoming international players in both their operations and sourcing for capital. The need for them to meet listing requirements of foreign exchanges and appeal to international investors has further given credit to the relevance of corporate governance in Nigeria. Regrettably, despite the efforts to improve corporate governance in Nigerian banks, the CBN had to inject funds and replace the leadership of 8 Nigerian banks that had eroded their capital as a result of having a huge portfolio of non-performing loans, basically as a result of transactions involving board members and management through special vehicle loan schemes. This set of bank failures was reminiscent of pre-consolidation bank failures that were attributed to weak regulations and to the bank failures of the 1990s and it brought about questions as to why Nigerian banks kept experiencing these corporate governance failures in spite of new corporate governance codes.

The underlying problem relates to the challenges of corporate governance which includes the process of determining the right standards, establishing the right framework for complying with standards and enforcing or maintaining standards. The challenges of corporate governance in banks can be ascertained from the constituents of banking functions and activities, and determining which functions exert more challenges on governance standards. Specifically critical related problem areas that can be looked at in the banking industry are: provisions relating to terms and conditions, foreign exchange, guarantee and third party, charges and interest, customer complaints, marketing services, inter bank transactions and governing principles.

This study designed a corporate governance rating structure for Nigerian banks, to serve as a tool with which banks and other stakeholders can measure or determine bank's corporate governance performance. This designed rating structure is industry (banking) specific, and utilizes a methodology designed majorly around the code of corporate governance for the banking industry issued by the Chartered Institute of Bankers of Nigeria in 2014 and the resulting rating quotients are described as BI-CGQ (Banking Industry-Corporate Governance Quotient).

The applicability of this methodology was demonstrated in this research with the top 5 Nigerian banks which are listed among the leading 1000 Global Banks in 2014. They are: Zenith Bank, Guaranty Trust Bank, First Bank, Access Bank, and United Bank for Africa. In addition to determining the BI-CGQ, this analysis expectedly provides more insight into corporate governance issues in Nigerian banks, and provides more information to regulatory agencies for effective oversight. It is expected that more stakeholders will key into its use and rely on its results for making economic decisions.

It is worth mentioning that the Nigerian Stock exchange (NSE) in association with the Convention on Business Integrity launched the foremost corporate governance rating system (CGRS) in Nigeria on the 3rd of November, 2014. The CGRS is designed to rate companies listed on the Nigerian Stock Exchange based on their corporate governance

and anti-corruption culture, thereby improving the overall perception of trust in Nigeria's capital markets and business practices. However, this CGRS is not industry sector-specific as with this work.

Ultimately, this research would answer the question of the quality of corporate governance in banks as measured by the BI-CGQ. The components of the BI-CGQ relate to the following primary questions bordering on corporate governance:

a. To what extent are basic governing principles adhered to in the rated bank(s)?
b. To what extent are regulations guiding the opening of accounts followed in the rated bank(s)?
c. To what extent are necessary terms and conditions to customers followed in the rated bank(s)?
d. To what extent are there effective mechanisms for handling customer's complaints in the rated bank(s)?
e. To what extent is the confidentiality of customer's information assured in the rated bank(s)?
f. To what extent are guidelines related to the operation of status enquiries followed in the rated bank(s)?
g. To what extent are guidelines related to the execution of marketing services followed in the rated bank(s)?
h. To what extent are guidelines for foreign exchange services and cross-border payments followed in the rated bank(s)?
i. To what extent are guidelines for guarantees and other types of third party securities followed in the rated bank(s)?
j. To what extent are guidelines for inter-bank transactions followed in the rated bank(s)?

Additionally, research questions on the quality of both voluntary and mandatory disclosures on the following broad areas will guide our analyses: Board of Directors, Board Committees, Internal Control and External Audit, Risk Management and Corporate Governance Implementation Reporting. The question of loan losses being reflective of the quality of governance will complement this three pronged methodology approach.

This study introduced a new methodology which is developed specifically for banks. In spite of the criticisms that trail the use of corporate governance rating, the system remains a useful guide in assessing quality of governance. This study to some extent has addressed one of the criticisms, which is the issue of differences in culture and context of different organizations which make generalization inappropriate. We assume that the banking industry aside the individual banks share some common culture and context, and as such developing a methodology around this industry will be invaluable. Furthermore, the analysis would enable inferences to be drawn on which banking functions and activities exert more governance challenges on banks. Knowing which functions exert more governance challenges would enable regulators know which areas

to focus more on, or perhaps guide a review of standards in the light of compelling evidences.

Literature Review

Corporate Governance

In every organization, there is a burden of responsibility placed on both managers and owners. This is perhaps more pronounced in the corporate world where ownership is distinct from control. Businesses do not exist in isolation. The inter-play of both internal and external forces has implications for the survival and success of business. While internal forces have more to do with structures (in the organization), external forces relate to external environmental factors. These forces would usually be managed with deference to organizational policies, common rules of thumb and generally acceptable best practices. This serves as a primer to the concept of corporate governance, a concept which according to Wells (2010) "has been with us since the use of the corporate form created the possibility of conflict between investors and managers". Cheffins (2011) noted that the concept however came into vogue in the 1970s and has now become the subject of debate worldwide by academics, regulators, executives and investors. The analysis of the inter-relationship between these stakeholders is likely to be conducted through the conceptual prism of corporate governance.

Definitions of corporate governance vary widely. Central to all definitions are issues of Corporate Social Responsibility, adequate disclosures, conformity with laws and guidelines, and active participation of stakeholders in corporate decision making. Claessens and Yurtoglu (2012) identified two distinct categories in explaining the concept of corporate governance as " the behavioural pattern (which) explains the actual behavior of corporations as measured by performance, efficiency, growth, financial structure and treatment of shareholders and other stakeholders, and the normative framework (which) relates to the rules under which firms operate with the rules coming from such sources as the legal system, financial markets and factor markets". Drawing from this analysis, we can deduce corporate governance from behavioural pattern as well as the normative framework, with the normative fuelling and guiding the behavioural pattern.

Corporate governance refers to the "the set of responsibilities and practices exercised by the board and executive management with the goal of providing strategic direction, ensuring that objectives are achieved, ascertaining that risks are managed appropriately and verifying that the organization's resources are used responsibly" (IFAC, 2004). Simply put by Cadbury Committee (1992), "corporate governance is the system by which companies are direct and controlled". While the first definition focuses on the activities, the second definition focuses on the process. It is about the process, as well as the activities which are goal-congruent. Effective corporate governance is becoming central to achieving success in the global business environment. Good corporate governance sets out the rules and practices that govern the relationship between the stakeholders in corporations. It ensures transparency, fairness and accountability and is a pre-requisite for the integrity and credibility of organizations.

Though corporate governance is a relatively recent concept, made clearer by the publications of Cadbury (1992) and The Organization for Economic Cooperation and Development (OECD1999, 2004), the philosophy has been in existence since ownership became distinct from control. The concept became more prominent with increasing cases of infractions and need for more disclosure. According to Spanos (2003), "the publication of the Cadbury Report in 1992 introduced several new corporate governance guidelines, while the initial impetus was given by the Principles and Recommendations of the American Law Institute (1984) and the Treadway Commission (1987) in the U.S." Overtime, professional bodies and supranational authorities worldwide developed guiding principles and recommendations towards promoting basic corporate governance rules.

In Nigeria, the following legislations provide the framework for corporate governance: Companies and Allied Matters Act 2004, Investment and Securities Act 2007, Securities and Exchange Commission (SEC) 2011 Corporate Governance Code. In addition, there are various industry specific codes such as the CBN code 2006 for banks and other financial institutions, the Chartered Institute of Bankers of Nigeria corporate governance code in 2014 also for banks, the PENCOM code 2008 for Pension Fund Administrators, and the NAICOM code 2009 for insurance companies. The SEC being a regulatory body for the capital market set up committees to consider corporate governance issues in Nigeria in 2003 and 2008 resulting in the publication of the 2003 SEC corporate governance code and a revised SEC code in 2011.

The concept which became clearly recognized in the 1970s in the United States is now a subject of debate worldwide. The evolution of the concept has really been a matter of necessity, derived from growing complexities of business which results in the use of more discretions and imperatives for greater accountability. The Enron scandal in 2001 and the Arthur Andersen collapse in 2002 provided more impetus to corporate governance discourse. In Nigeria, the concept became more prominent following the Cadbury accounting scandal in 2006 which typified audit failure factor in Nigeria corporate governance firmament (Okaro & Okafor, 2014)as well as the plethora of bank failures which Nnodim (2012) reported were largely attributable to governance failure. Central to the concept of corporate governance in organizations is the board of directors which plays a pivotal role. A core responsibility of the board is to develop the governance system and ensure adequate disclosure. The disclosure is of more importance to the other stakeholders who complement the board of directors in the web.

A typical corporate governance structure usually addresses issues such as roles of the Chief Executive Officer and Chairman, board of directors, remuneration and representation of shareholders, audit committee, rights and treatment of shareholders and stakeholders, external auditors, and disclosure. It is expected that a board should be composed in a manner that would enable it lead by example and set the right tone on ethical issues. The ideals of corporate governance include appropriately empowering executives, and ensuring that their strategy considers both risk and reward over time. Also a good corporate governance system ensures that the organization's risk

management and control mechanisms are robust and adequate, and executive remuneration promote organizational performance and is transparent.

Elements of Corporate Governance

The elements can be looked at in terms of generic processes which result in corporate governance. Kekemuller (2007) identified as key elements the processes leading to direction, oversight, stakeholder relations and corporate citizenship. Similarly, Drew, Kelley and Kendrick (2006) identified culture, leadership, alignment, systems and structure as the key elements of corporate governance particularly with reference to risk management. Aside these generic processes, specific tools in corporate governance revolve around the composition and instrumentality of the boards of directors, and performance or corporate governance standards are derived from traditional practice, or from documented evidences of standard practice, or extant regulations and laws.

The Board of Directors provides an environment where principal/agent problems are solved. The board as confirmed in a recent work by Dombin (2013) plays a pivotal role in any system of corporate governance. The board is a key feature of governance mechanism in an organization, as it develops and implements policies on how the organization will consult with stakeholders. The stakeholders include: funding agencies; governments; the community; associated businesses; and members of the organization. The board drives corporate governance in the organization, basically by overseeing the functions of the organization and ensuring that it continues to operate in the best interest of all shareholders.

In both internal and external environment of organizations, virtually all key units of the organization work with some standard of corporate governance. Such choices or functional areas include: Board of Directors; CEO duality; Chairman of Audit Committee; Proportion of Non-Executive Directors; Concentrated Ownership Structure; Institutional Investors; Gender Diversity of Board Members; Board Size. These variables in order to be adequately explanatory and relevant should be addressed within some contexts such as political, social, economic and technological environments. Evidence of this is found in Bushman, Piotroski and Smith (2004) who highlighted the role of political and cultural factors. Also Doidge, Karolyi and Stulz (2007) showed that country characteristics, such as economic and financial development are important determinants of firm-level governance ratings. Li and Harrison (2008) explored the relationship between national culture and the composition of boards of directors in fifteen different governance environments and suggested that governance environment matters.Veen and Elbertsen (2008) sought to understand the relationship between governance regimes and the nationality diversity on the corporate boards operating in Germany, the Netherlands and the United Kingdom. Results of these studies suggest that not all conforming conducts of boards of directors are uniform norms in all environments.

There are a number of composition issues related to the constitution of corporate boards, and these issues can be inferred from all definitions or explanations of board composition. For instance, the UK Corporate Governance Code (2010) says “the board

and its committees should consist of directors with the appropriate balance of skills, experience, independence and knowledge of the company to enable it to discharge its duties and responsibilities effectively". Issues that can be inferred from this are board size, diversity, independence. There are wide and divergent views on the implications of specific courses of board composition, and particularly as it relates to corporate governance. Such composition issues include: board size; gender of board members; qualification of board members; relevant experience of board members; political affiliations of board members. Board size refers to the number of directors in a Board. The presence of both male and female directors in the board is indicative of gender diversity. The board is presumed to be more independent as the number of outside or non-executive directors increases proportionately. Conventional wisdom predicts that greater board independence is essential for corporate governance.

Aside established or traditional norms of corporate governance, legislations provide key guides. In many countries, company legislation is the main instrument to promote corporate governance. In Nigeria, there is the Companies and Allied Matters Act 2004. International efforts have helped to guide the focus of corporate governance through the identification of those aspects which require further development when compared to established international standards of corporate governance. The OECD council in 1998 called on the OECD to develop in conjunction with national government, other relevant international organizations and the private sector, a set of corporate governance standards and guidelines. The principles of OECD (2004) are organized into the following six main headings: Ensuring the Basis for an Equitable Corporate Governance Framework; The Rights of Shareholders and Key Ownership Functions; The Equitable Treatment of Shareholders; The Role of Stakeholders in Corporate Governance; Disclosure and Transparency; The Responsibilities of the Board.

In Nigeria, the Chartered Institute of Bankers of Nigeria (CIBN) has been in the forefront of promoting corporate governance in Banks by regularly issuing codes of conduct in the Nigerian banking industry. The most recent code of conduct by the CIBN was issued in 2014 with the overall objective of ensuring "strict adherence to best banking practices and strong commitment to ethical and professional standards in behavior in the Nigerian banking industry"(CIBN, 2014). The code is to be read along with the subsisting CIBN Act, Banks and Other Financial Institutions Act, Central Bank of Nigeria Act, Nigeria Deposit Insurance Corporation Act, Companies and Allied Matters Act, and all regulations relating to banks and banking business in Nigeria. Section 3 of the CIBN (2014) code of conduct prescribes governance guidelines for banks and their customers. Sub-sections 1-12 specifically discusses the following issues: Governing Principles; Opening an Account; Terms and Conditions to Customers; Handling Customer's Complaints; Confidentiality of Customer's Information; Status Enquiries; Marketing Services; Foreign Exchange Services and Cross-Border Payment; Guarantees and other Types of Third Party Securities; and Inter-Bank Transactions.

Disclosure

Disclosure is a central theme in corporate governance. An effective governance system is expected to promote adequate and timely disclosure of information that would be useful to stakeholders in taking economic decisions. Cooke (1989) and Narayanan, Pinches, Kelm, and Lander(2000) noted that managers who are more inclined to have detailed knowledge on the firm's operations provide stakeholders with particular information that may influence economic decisions. Information disclosure relate to both voluntary and mandatory information disclosure. While managers would disclose voluntary information when the benefits outweigh the associated costs (Darmadi, 2011), financial reporting regulations generally require mandatory minimum disclosure requirements. The Corporate Governance Disclosure Index is a measure of the extent of disclosure which in turn reflects the quality of corporate governance.

Loan Losses

It is expected that effective corporate governance in banks should result in lower loan losses. This should be a result of effective risk management and internal control mechanisms, which are all integral factors in corporate governance. It can be assumed that governance approaches would have been derived from organizational culture which will be enduring. Though some studies suggest that corporate governance variables (specifically board size, board composition, composition of audit committee and power separation) have no significant impact on non-performing loans (Nyor and Mejabi, 2013), the quality of internal control measures (which is integral in corporate governance) will impact on loan quality. Internal control is evidenced to be related to earnings quality (Fang and Jin, 2011).

Corporate Governance Rating

Corporate governance rating entails attaching a measure to the quality of corporate governance mechanisms in organizations. A corporate governance rating system takes account of governance mechanisms and evaluates them towards evolving a quantitative measure of how well governed an organization is. Investors and other users have come to recognize this measurement, done by rating agencies as a basis for assessing the quality of governance. Since there is a rising importance of good governance (OECD principles), it is expected that stakeholders would consider corporate governance rating as important. Turco and Katrysh (2014) consider institutional investors as the primary users of corporate governance rating as a result of the growing awareness of fiduciary duty. They also identified other users to include: governance consulting firms; small investors; executive search firms; and accounting firms.

Quite a number of rating agencies offer different, though identical methodologies of deriving corporate governance rating. The Institutional Shareholder Services (ISS) uses the Corporate Governance Quotient; Government Risk Indicator (GRID) and QuickScore. The QuickScore is designed to identify governance risk within portfolio companies, and it helps to identify and monitor potential governance risk, identify companies with which to engage on governance issues, access detailed data to inform their own investment models, and advance compliance on mandates.

Another rating agency, GMI Ratings was formed in 2010 through the merger of the following three companies: The Corporate Library formed in 2001; Governance Metrics International formed in 2000 and Audit Integrity formed in 2002. It uses the GMI Environmental, Social and Governance (ESG) ratings, and the GMI Accounting and Governance Risk Rating. The ESG ratings use 150 carefully selected risk factors organized into six categories and express their assessments as percentile scores ranging from 1 to 100 and as a letter grade ("A" to "F"). The GMI Accounting and Governance Risk Rating on the other hand are based on discrete risk factors organized into categories such as: revenue recognition; expense recognition; asset-liability valuation; and governance risks and high-risk events. It also uses a percentile score ranging from 1 to 100, and in corresponding categories ranging from Conservative to Very Aggressive.

In Nigeria, the first attempt at establishing a rating system was done recently when Nigeria Stock Exchange (NSE) in collaboration with a group, Convention on Business Integrity (CBI) launched Nigeria's Corporate Governance Rating System (CGRS) on Nov. 3, 2014. The CGRS will raise attractiveness of quoted companies for cross-border listings as they are more likely to meet the listing requirements of target markets (Nnorom, 2014). The CGRS rates firms according to the following bases: Verified Compliance Self-Assessments by companies (50%); a Fiduciary Awareness Certification Testing(FACT) of Directors (10%); Feedback from Stratified Random Sample of Stakeholders (20%); Expert Multi-Stakeholder Group (EMG) (20%).A lot of criticism trail the use of CG rating such as reliability and differences in culture and context of different organizations. While this system is certainly not perfect, it still remains a useful guide in assessing quality of governance.

What is still missing in Nigeria is an industry-specific rating system which would factor in the peculiarities of the industry and thus bring out a more meaningful and comparative rating. This area is yet to be explored in Nigeria.

Theoretical Review

Eisenhardt (1989) traced the origin of the agency theory to the periods during the 1960s and early 1970s when economists explored risk sharing among individuals or groups, and noted that the theory broadened this risk sharing literature to include the so called agency problems that occur when cooperating parties have different goals and division of labour. The way conflicts play out and are resolved would be indicative of the role of the board, and should also necessarily impact on the performance of the firm. The relationship between the board of directors and shareholders can aptly be situated within the agency theory.

The classic economic theory suggests that corporate governance is a determinant of growth. The typical agency problems ought to be addressed by corporate governance. Essentially, corporate governance is expected to protect interest of shareholders. Tirole (2001) noted that "a classical implication of the corporate finance literature is that firms with low agency costs are more likely to have access to cheap finance", and thus be more profitable. The implication of this is that entrenching corporate governance ideals

promote growth. Similarly, La Porta (2008) argued that "legal protection of outside investors limits the extent of expropriation of such investors and thereby promotes financial development". It is generally argued that corporate governance will lead to the more efficient allocation of capital and thus improve savers access to investment opportunities and company's access to financing [O'Sullivan, 2003].

Since Freeman (1994) posed the two key questions on what the purpose of the firm is, and what responsibility does management have to stakeholders, the stakeholder theory has been instrumental in discussing the responsibilities of management to stakeholders. Stakeholder theory addresses issues of morals and values in an expanded view of those to whom an organization has fiduciary duty. Donaldson and Preston (1995) noted that "the idea that corporations have stakeholders has now become common place in the management literature". On stakeholder theory and values, Freeman, Wicks and Parmar (2004) raised the bar on the relevance of the theory by arguing that values are necessarily and explicitly a part of doing business, and that managers should articulate the shared sense of the value they create, and what brings its core stakeholders together.

In addition to shareholders, others who also have stakes in how a corporation is governed include employees, customers, suppliers, financiers, communities, government bodies, political groups, trade associations and trade unions. These stakeholders would be interested in knowing the quality of corporate governance in their corporations.

Empirical Review

Board independence is expected of an ideal for corporate governance. It should have implications for organizational performance. Outside or non-executive directors usually exert indirect influence on the organization and are perceived to be more independent. Forsberg (1989) noted that outside directors represent those who are not members of top management, suggesting that they would be more independent. Also Tricker (1978) and Higgs (2003) described outside directors as significant long-term and impartial decision makers, also suggesting that they would be more independent. Long, Dulewicz, and Gay (2005) reported that board members' direct and indirect influence on firm's governance has implications for their effectiveness and involvement. Such also is the case with the Chairman of the board where there is CEO duality. The definition of an independent director largely mirrors a non-executive director. The independent director is a member who may not accept any consulting, advisory, or other compensatory fee from the company, and should not be an affiliated person or subsidiary of the company. The non-executive director role requires skills, experience, integrity and particular personal attributes. The specific roles of the non-executive director revolve round participating in formulating strategy of the company, oversight of management, and maintaining an independent stand.

The issue of whether boards with a majority of independent directors operate in a manner that increases their efficacy and minimize conflict of interest in board decision-making, and ultimately increases firm performance has been the subject of some

empirical studies. Anand, Milne and Purda (2006) noted that whether independent boards (that is boards with more non-executive directors) achieve these objectives (better financial performance) is unknown. Bhagat and Black (2002) studied the relationship between independent boards and financial performance. They concluded that there is little evidence of a positive association between board independence and ultimate financial performance. Also studies by Finegold, Benson and Hecht (2007) and Klein, Shapiro and Young (2005) failed to find that the majority of independent directors results in improved financial performance of the firm. In Nigeria however, Akhalumeh and Ohiokha (2011) examined the impact of the proportion of non-executive directors on economic performance of firms and concluded that there is explicit clear relationship between board composition and firm performance.

The influence of gender diversity on performance has been put to empirical tests in several studies with mixed results. At extreme ends, some identified positive relationship between gender diversity and performance, while some found absolutely no relationship or negative relationship between gender diversity and performance. Adams and Ferreira (2009) suggested that there is a positive correlation between gender diversity and some measures of good governance such as holding more meeting, increased probability of replacing underperforming CEO, and higher attendance rates to meetings. Miller and Triana (2009) suggested that the presence of female director at the board rooms will contribute to firm's reputation with the customers and investors, and will also signal the investors and other stakeholders of the good governance practices of the firm. Jianakopolos and Bernasek (1998) also argued that women and men have different strengths, and the presence of women will contribute to the capabilities of the board. Robinson and Denchant (1997) argued strongly that diversity promotes innovation, produces more effective problem-solving, enhances the effectiveness of corporate leadership, and promotes more effective global relationship.

Catalyst (2007) report examined relationship between women board directors and return on equity, return on sales, and return on invested capital. The results showed that companies with more women board directors outperform those with the least by 53% on return on equity; companies with more women board directors outperform those with the least by 42% on return on sales; companies with more women board directors outperform those with the least by 66% on return on invested capital. Erhadt, Werbel & Shrades (2003) also investigated mediators that explain how board diversity is related to firm performance. They suggest two mediators: firm reputation and innovation. The study found that both reputation and innovation partially mediate the relationship between board racial diversity and firm performance. More specifically, it found a positive relationship between board gender diversity and innovation. Adams and Ferreira (2009)'s study revealed that gender-diverse board allocated more effort to monitoring performance and directors receive more equity-based compensation in firms with more gender-diverse boards. Interestingly however, they found that the average effort of gender diversity on firm performance is negative.

The question of whether board size matters in financial performance has been the subject of many studies. The earliest literature on board size is by Lipton and Lorch (1992). They studied the implications of size for corporate governance, and ultimately its implications on firm performance. They concluded that a large board could result in less meaningful discussion, since expressing opinions within a large group is generally time consuming and difficult. They recommended limiting the number of directors on a board to seven or eight, as numbers beyond that would be difficult for the CEO to control. Hermalin and Weisback (1991) also noted that when a board becomes too big, it often arise into a more symbolic role, and does not fulfill its intended function as part of the management.

Dalton and Dalton (2005)'s conclusion is also consistent with the position on the irrelevance or negative association of board size and financial performance. They concluded that no amount of structure prescription will guarantee effective boards of directors, and that effective boards will install effective boardroom processes and be guided by individuals with the highest integrity and character. Yermack (1996) empirically showed the existence of board size effect in United States public firms, but found negative correlation between board size and profitability. Similarly, Eisenberg, Sundgren and Wells (1998) empirically tested the relationship in some firms and found a significant negative correlation between board size and profitability. The result of the empirical study by Mak and Kusnad (2005) further buttress the suggestion of a negative relationship. The study examined the impact of corporate governance mechanisms on the value of Singapore and Malaysia firms. Consistent with Yermack (1996) and Eisenberg, Sundgren& Wells (1998), they found an inverse relationship between board size and firm value in both countries. This suggests that the negative relationship between board size and performance transcends corporate governance systems. Another study by Dalton and Johnson (1999) concluded that there was no evidence of substantive relationship between board size and financial performance.

A few studies have been done on the impact of corporate governance on financial performance in Nigeria banking industry [Omoyele and Olabisi, 2011; Mohammed, 2012;and Adeusi, Akeke, Aribaba and Adebisi, 2013] Usually the bases for assessing corporate governance have been generic factors such as board size, gender diversity, CEO duality, and board independence. In a Nigerian study, Sanda, Mikailu&Garba (2005) reported that value of the firm is positively correlated with small, as opposed to large board. In contrast, Adams and Mehran (2005) found a positive relationship and concluded that there is a positive impact on performance with larger board size. They examined the relationship between board structure (size and composition) and firm performance of a sample of banking firms during 1959-1999, and suggested that constraints on board size in the banking industry may be counter-productive.

Insider ownership refers to the de-facto ownership rights held by an insider. This is evident in the percentage holding of outstanding shares of a company by insiders. In some cases, it could be a key person (owner-manager) in the board. It is arguable that the presence of a key owner-manager could promote prudence in the management of firms. Jensen and Meckling (1976) demonstrated that reduction in owner-manager's equity

tends to encourage appropriation of corporate resources in the form of perquisites. In the same reasoning, La Porta, Lopez-De-Silanes andShleifer (1999) showed that the need for higher cash flow (to support higher dividends) shows a commitment to limit expropriation and is higher in countries with inferior shareholder protection.

Khanna and Palepu (1999) suggested that the concentrated ownership is a result, rather than a cause of inefficiencies in markets. In their study of Indian firms, they concluded that it does not appear that concentrated ownership in India is entirely associated with the ills that the literature has ascribed to it in emerging markets. According to them, concentrated ownership may not be inimical to competition if the concentrated owners are not engaged in rent-seeking and entry-deterring behaviour. Quite a number of recent studies have supported this position. They include Gorton and Schmid (2000) and Mitton (2002). While Gorton and Schmid (2000) showed that a greater employee involvement resulted in a lower return on assets, Mitton (2002) showed that corporate governance measures such as high disclosure quality and concentrated ownership affected stock market valuation positively.

Demsetz and Lehn (1985) found no significant relationship between ownership concentration and accounting profit rates for a set of United States corporations. Similarly, Morck, Shleifer and Vishny (1988) investigated the relationship between management ownership and market evaluation and found that there is evidence that market valuation is lower when the firm is run by an owner-manager. Also similar to Cho (1998), Loderer and Martin (1997) argued that the relationship between insider ownership and performance runs from performance to insider ownership but not vice versa.

Data and Methodology

Data for these analyses were collected from two sources: Primary and secondary. The primary source was questionnaire administered to customers, shareholders and directors of the selected banks. The selected banks are First Bank, Guarantee Trust Bank, United Bank for Africa, Access Bank and Zenith Bank, which were the first five Nigerian Banks to make the top 1000 World Bank's ranking (Obinna, 2015, Omoh 2014).The director's questionnaire investigated corporate governance standards on marketing services', interbank transactions and governing principles. The shareholder's questionnaire also covered the same issues addressed to the directors. The customer's questionnaire covered terms and conditions, foreign exchange, guarantee and third party, charges and interest and customer complaints.

A total customer population for the five banks is estimated to be 28.1 million and the total shareholders base is 5.8 million (Wikipedia, 2013). Sample sizes were determined using the Yamane formula, resulting in a sample of 400 each estimated for customers and shareholders. A sample of 80 each was estimated for each bank after 400 was divided by five. However, the sample of 80 was rounded to 100 for expediency in administration. Hence, 100 questionnaires were administered to shareholders and customers of each bank. For the board of directors, questionnaires were administered to all members of each

bank's board. Response rate was 100 percent for shareholders and customers of all the banks while questionnaires administered to Board of Directors have 60% response rate.

Secondary data were also collected from these five banks' financial statements to measure their compliance with Corporate Governance Disclosure. The computation of Corporate Governance Disclosure Index (CGDI) for each bank was done using the methodology in Damardi (2011) where the CGDI was derived from a comprehensive checklist and scoring done through a content analysis in a dichotomous manner where an item scored 1 if disclosed and 0 if not disclosed, and the CGDI would have the minimum value of 0 and the maximum value of 1. The relevant disclosure checklists are presented in appendix 2.

Additionally, the actual loan loss percentage was used as a measure of corporate governance, and the weight derived as: Loan Loss Index……100%-X%, where X% is the actual loan loss percentage for the year 2014.

In summary, the three pronged approach in this methodology used the following bases and weights in computing the BI-CGQ:

1. Questionnaire Analysis (50%)
2. Corporate Governance Disclosure Index (25%)
3. Loan Loss Index (25%)

Data Analysis and Findings

A Cronbach Alpha test was conducted to determine the reliability of the questionnaire, which gave an average value of 0.873 showing a strong reliability of the instrument.

Corporate governance quality was found to be evidently high in the top banks examined with BI-CGQ of 91.13% (Guaranty Trust Bank), 87.61% (Zenith Bank), 89.58% (United Bank for Africa), 91.36% (Access Bank) and 82.62% (First Bank of Nigeria). The quality of governance however varies according to the banking functions. The ranking in order of strength of governance provisions and compliance is as follows: marketing services (4.92), interbank transactions (4.78), governing principles (4.59), guarantee and third party (4.20), terms and conditions (4.13), foreign exchange (4.07) and charges and interest (4.01). Appendix III

The standards expected by customers across board even appear more stringent than the expectations of the shareholders. Thus customers set more stringent standards, followed by shareholders. Directors are more liberal in their assessments of corporate governance. This is understandable as customers and shareholders are external stakeholders and are expected to hold directors and management to a higher standard of performance.

The area in which banks appear to be more challenged on governance matters include the provisions relating to charges and interest. Customers expect a lot more transparency and disclosure in this regard. Following this is the manner customers

complaints are attended to; disclosures on foreign exchange transactions; and the clarity of terms and conditions for customers. These are areas where regulators could encourage or enforce more transparency.

On disclosures, the order of compliance with standards is as follows: risk management (1.00), board of directors (0.78), corporate governance implementation reporting (0.76), internal control and external audit (0.75) and board committees (0.61). There is full disclosure on risk management issues and least disclosure on details of board committees. Perhaps matters relating to board committees are viewed as internal issues and are not considered for full disclosure. No bank for instance disclosed the profiles or pictures of board committee members, and no bank included committee reports in their 2014 financial reports.The performance in disclosures relating to corporate governance implementation reporting was particularly weighed down by a bank that did not disclose on code of conduct, corporate governance self-assessment, corporate governance framework and also did not include corporate governance implementation report in its 2014 financial reports. Appendix IV

Issues that are not widely reported in the financials are: profile of board of directors members (0.2), committee reports in the annual reports (0), pictures of board committee members (0), profiles of board committee members (0), number of independent committee members (0.4), remuneration of board committee members (0.4), internal control report in the annual reports (0.4), internal audit framework (0.4), policies on the appointment of external auditors (0.2). These are issues regulators may consider, to mandate compulsory and full disclosure.

Table 1: BI-CGQ Computation

Bank	Questionnaire Analysis 50%	Corporate Governance Disclosure Index 25%	Loan Loss Index 25%	BI-CGQ	position
GTB	44.37%	22.20%	24.56%	91.13%	2ND
Zenith	43.57%	19.40%	24.64%	87.61%	4TH
UBA	44.17%	20.80%	24.61%	89.58%	3RD
Access	44.83%	21.95%	24.58%	91.36%	1ST
FBN	44.73%	13.30%	24.59%	82.62%	5TH

Table 1 shows the BI-CGQ Computation for the five banks. Access bank came first with 91.36% followed closely by GTB with 91.13%. UBA came third with 89.58% while Zenith Bank was 4th with 87.61%. The fifth bank is FBN with 82.62%. This is also reflected in figure 1.

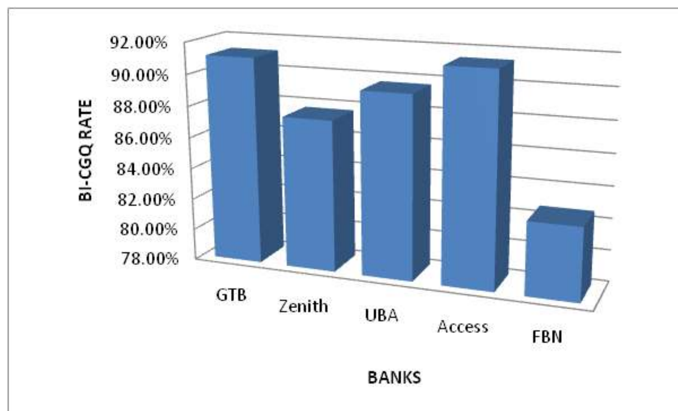

Figure 1: BI-CGQ rating

Conclusion

The foremost corporate governance guideline for the banking industry in Nigeria was the corporate governance code for banks issued by the bankers' committee in August, 2003 to guide banks and other financial institutions in the country. This was necessitated by the financial crisis the country experienced in the nineties. The concept received greater attention after the global financial crisis in 2008-2009 as a result of the huge operational and reporting lapses experienced in companies which led to corporate failures, particularly in the banking industry. Since then, there has been a conscientious attempt to enhance corporate structures and practices in companies in Nigeria, especially banks. The BI-CGQ as a tool would ascertain corporate governance quality in the banking industry and enable inferences to be drawn on governance results in key areas. Ultimately, the analysis may be reviewed annually, resulting in the annual publishing of the BI-CGQ.

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Appendix I: Questionnaires for Customers

Instruction: Please rate your assessment of each point according to one (any) of the following bases: SA (Strongly Agree); A (Agree); U (Undecided); D (Disagree); SD (Strongly Disagree).

S/N	Questions [Terms and Conditions to Customers]	SA	A	U	D	SD
1	The bank provides clearly written and legally enforceable terms and conditions, expressed in simple language, on the various types of financial products and services offered by them.					
2	The bank gives adequate notice to customers about any change in the terms and conditions relating to financial products and services offered.					
3	The bank sends to you comprehensive statements of accounts at regular intervals or as may be agreed in order to enable you manage your accounts effectively.					

S/N	Questions [Foreign Exchange Services and Cross Border Payment]	SA	A	U	D	SD
1	The bank provides customers with details of the exchange rates and the charges which will apply to foreign exchange transactions.					
2	The bank provides customers wishing to effect cross-border payments with details of the services they offer such as information as to when money sent abroad will reach its destination or expected to reach its destination and details of any commission or charges payable to the bank.					

S/N	Questions [Guarantees and other Types of Third Party Securities]	SA	A	U	D	SD
1	The bank informs customers that by giving guarantee or third party security, the individual might become liable instead of, or as well as, that other person being guaranteed.					
2	The bank informs the customer to seek independent legal advice before entering into any guarantee or third party security.					
3	The bank ensures that guarantees and other third party securities' documentations contain clear and prominent notice of the terms and conditions.					

S/N	Questions [Charges and Interest Payable to Customers]	SA	A	U	D	SD
1	The bank discloses in sufficient details the basis and amount of charges incidental to the operations of your accounts/transactions.					
2	The bank discloses in sufficient details changes in interest rates/charges, booking of new transactions or changes in earlier agreed terms, and upon request by customers.					
3	The bank charges are as contained in the Guide to Bank Charges or any other Guide/Tariff published by the Bankers' Committee from time to time.					
4	The bank provides information on charges for services not covered by the Guide to Bank Charges (provided such services are recognized by the Bankers' Committee at the point of rendering the services or upon request).					
5	The bank informs you of the interest rates that they apply to the debit balances on their accounts, the basis on which they are calculated and the timing of the debit.					
6	The bank informs you of the basis on which interest rates and other charges may be varied.					
7	The bank gives reasonable notice to you on changes in rates and charges and obtain acknowledgement.					
8	The bank makes information freely available and accessible to customers by one or more effective means about the rate on all interest bearing accounts which they offer.					

9	The bank informs customers about the interest rates applicable to/payable on their deposit, fixed, savings and other accounts, the basis on which the interest is calculated and when it will be credited to their accounts.					
10	The bank informs their customers of the basis on which they (banks) may vary the deposits/savings interest rates.					
11	The bank publicizes changes in interest rates by notices in their branches, or in press, or on statement of accounts or letters addressed to their customers or other agreed means of communication or a combination of any or all of these methods.					
12	The bank notifies borrowing customers in writing about changes in interest rates, and they obtain acknowledgement from.					

S/N	Questions [Handling Customer's Complaints]	SA	A	U	D	SD
1	The bank treats you fairly and equitably.					
2	The bank has internal policies, structures, guidelines and procedures for handling customers' complaints expeditiously.					
3	The bank has complaint desks in all branches and head office, and informs customers that there are internal policies, structures, guidelines and procedures for handling complaints.					
4	The bank makes available details on how complaints can be made and what further steps customers can take if they believe that a complaint was not handled satisfactorily either at the point of first report or at any other level within the bank.					
5	The bank ensures that all employees who deal with customers understand their internal policies, structures, guidelines and procedures for handling complaints and are capable of assisting customers with adequate, correct and timely information.					
6	The bank has channels, in addition to placing framed messages indicating customer care centres/customer service desk, complaint desks, postal addresses, dedicated short messaging services (SMS) lines, telephone lines, email addresses, and other means for lodgement of complaints.					
7	The bank ensures that all customers' written complaints are acknowledged in writing or through emails within reasonable days of receipt.					
8	The bank ensures that all customers' complaints are resolved within reasonable time frame of receipt of a written complaint.					

S/N	Questions [Marketing Services]	SA	A	U	D	SD
1	The bank does not give customers' names and addresses to third parties in the same group for marketing purposes without customer's express written consent.					
2	The bank acts responsibly, transparently and prudently in marketing and delivery of financial services.					
3	The bank ensures that all advertisements and promotional literature are fair and professional, and does not contain misleading information and is in compliance with all relevant legislations and regulations.					

Questionnaires for Shareholder and Directors

Instruction: Please rate your assessment of each point according to one (any) of the following bases: SA (Strongly Agree); A (Agree); U (Undecided); D (Disagree); SD (Strongly Disagree).

S/N	Questions[Inter-bank Transactions]	SA	A	U	D	SD
1	The bank at all times and as expeditiously as possible seeks through recognized channels, adequate information about the credit-worthiness of other banks before engaging in inter-bank transactions with them					
2	Accords priority to inter-bank obligations					
3	The bank collaborates with other operators, regulators and Chartered Institute of Bankers of Nigeria to sanitize the banking industry					

S/N	Questions [Governing Principles]	SA	A	U	D	SD
1	There are set out standards of good banking practice which your bank follows in dealings with customers and other consumers.					
2	The bank conducts its businesses in the best ethical and professional manner consistent with global best practice.					
3	The bank provides and enforces guidelines to make their staff act ethically and professionally in all their dealings with customers, other banks and stakeholders.					
4	The bank assists customers to understand the operations, rules, guidelines and regulations as well as products and services and known risks relating to banking operations and services.					
5	You inform your customers of the products and services which are best suited to their needs based on their personal/individual financial situation(s).					

6	The bank maintains and sustains public trust and confidence in the banking system to ensure its integrity and security.					
7	The bank operates within the statutory, legal and regulatory framework, in word and deed.					
8	The bank repays depositors their deposits at maturity, deliver on their trading contracts and lend on agreed terms and conditions.					
9	Your bank deals only with known parties, i.e. take all reasonable steps to establish that all parties they deal with are genuine.					
10	The bank does not pay brokerage/commission to employees.					
11	The bank discloses, from the beginning, contracts or business which brokerages/commissions are payable and also disclose such payments.					
12	The bank adopts only ethical and professional practices in their recruitment and deployment of personnel.					
13	Your bank has in place pre-employment background screening process as an effective human risk management tool to provide a degree of certainty that potential employees have desirable background, requisite knowledge and skill for the job.					
14	The bank provides healthy competition without undermining other banks'/discount houses stability in the course of marketing products and services.					
15	The bank brings to the attention of their customers various communication channels, e.g. SMS, emails and letters through which all forms of information can be conveyed to them.					
16	Your bank informs the customers of all financial transactions in their accounts.					
17	There is display of high degree of fairness and transparency in the conduct of your banks business and relationship with other parties.					
18	Your bank strictly observes the mandates of their customers.					
19	The bank sanctions employees appropriately for violation of professional code of conduct.					
20	The bank has in place a whistle blowing policy and framework					

Appendix II: Disclosure Checklists

1. Board of Directors:
   a. Names of members
   b. Positions of members
   c. Pictures of members
   d. Profile of members
   e. Number of meetings held

f. Members attendance in meetings
g. Remuneration of members
h. Duties and responsibilities of the board
i. Shareholdings of members

2. Board Committees
   a. Existence of an audit committee
   b. Existence of a remuneration and nomination committee
   c. Existence of a risk monitoring committee
   d. Existence of a corporate governance committee
   e. Duties and responsibilities of each committee
   f. Committee reports in the annual report
   g. Names of members
   h. Positions of members
   i. Pictures of members
   j. Profiles of members
   k. Most members being independent
   l. Number of meetings held
   m. Members' attendance in meetings
   n. Remuneration of members
   o. Performance of each committee

3. Internal Control and External Audit
   a. Internal control report in the annual report
   b. Existence of an internal audit division
   c. Internal audit framework
   d. Duties and responsibilities of internal audit division
   e. Internal audit certification held by employees
   f. Policies on the appointment of external auditor
   g. External auditor appointed by the bank
   h. Performance of internal audit division

4. Risk Management
   a. Risk management report in the annual report
   b. Existence of a risk management division
   c. Risk management framework
   d. Duties and responsibilities of risk management division
   e. Risk management certification held by employees
   f. Market risk management
   g. Credit risk management
   h. Liquidity risk management
   i. Operational risk management
   j. Risk profile

5. Corporate Governance implementation reporting
    a. Corporate Governance implementation report in the annual report
    b. Corporate Governance framework
    c. Code of Conduct
    d. Corporate Governance self-assessment
    e. Corporate Governance assessment by an external party

Appendix III: Corporate Governance Quality

		Customers		
BANKS	Terms & Condition	Foreign Exchange	Guarantee & 3rd Party	Customer complaints
ACCESS	1st (4.39)	5th (3.95)	2nd (4.24)	5th (3.96)
GTB	2nd (4.37)	3rd (4.01)	1st (4.28)	3rd (4.05)
UBA	3rd (4.29)	1st (4.21)	3rd (4.27)	2nd (4.12)
ZENITH	4th (4.27)	4th (3.97)	5th (4.12)	4th (3.99)
FIRST	5th (4.23)	1st (4.21)	4th (4.15)	1st (4.23)
OVERALL	4.13 (1ST)	4.07 (3RD)	4.20 (2ND)	4.07 (3RD)

		Shareholders	
BANKS	Marketing services	Inter-bank Transaction	Governing Principle
ACCESS	2nd (4.48)	1st (4.44)	3rd (4.32)
GTB	5th (4.41)	3rd (4.39)	2nd (4.35)
UBA	1st (4.54)	5th (4.37)	1st (4.37)
ZENITH	4th (4.45)	3rd (4.39)	5th (4.26)
FIRST	2nd (4.50)	2nd (4.41)	4th (4.28)
OVERALL	4.48 (1ST)	4.40 (2ND)	3.52 (3RD)

		Directors	
BANKS	Marketing services	Inter-bank Transaction	Governing Principle
ACCESS	1st (5.00)	1st (4.89)	1ST (4.92)
GTB	1st (5.00)	3rd (4.76)	3rd (4.60)
UBA	5th (4.75)	2nd (4.79)	4th (4.35)
ZENITH	4th (4.83)	5th (4.72)	5th (4.34)
FIRST	1st (5.00)	4th (4.75)	2nd (4.78)
OVERALL	4.92 (1ST)	4.78 (2ND)	4.59 (3RD)

Appendix IV: Disclosure Indices

	Disclosure Indices	GTBank	Zenith	UBA	Access	FBN
	Board of Directors					
1	Names of members	1	1	1	1	1
2	Position of members	1	1	1	1	1
3	Pictures of members	1	1	1	0	0
4	Profile of members	0	0	1	0	0
5	Number of meetings held	1	1	1	1	0
6	Members attendance in meetings	1	1	1	1	0
7	Remuneration of members	1	0	1	1	1
8	Duties and responsibilities of the board	1	1	1	1	0
9	Shareholdings of members	1	1	1	1	1
		0.89	0.78	1.00	0.78	0.44
	Board Committees					
1	Existence of an audit committee	1	1	1	1	1
2	Existence of a remuneration and nomination committee	1	1	1	1	0
3	Existence of a risk monitoring committee	1	1	1	1	0
4	Existence of a corporate governance committee	0	1	1	1	0
5	Duties and responsibilities of each committee	1	1	1	1	0
6	Committee reports in the annual report	0	0	0	0	0
7	Names of members	1	1	1	1	1
8	Positions of members	1	1	1	1	0
9	Pictures of members	0	0	0	0	0
10	Profiles of members	0	0	0	0	0
11	Most members being independent	1	0	1	0	0
12	Number of meetings held	1	1	1	1	0
13	Members' attendance in meetings	1	1	1	1	0
14	Remuneration of members	0	0	0	1	1
15	Performance of each committee	1	1	1	1	1
		0.67	0.67	0.73	0.73	0.27
	Internal Control and External Audit					
1	Internal control report in the annual report	1	0	0	1	0
2	Existence of an internal audit division	1	1	1	1	1
3	Internal audit framework	1	0	0	1	0
4	Duties and responsibilities of internal audit division	1	1	1	1	1
5	Internal audit certification held by employees	1	1	1	1	1
6	Policies on the appointment of external auditor	0	0	0	0	1
7	External auditor appointed by the bank	1	1	1	1	1
8	Performance of internal audit division	1	1	1	1	1
		0.88	0.63	0.63	0.88	0.75

	Risk Management					
1	Risk management report in the annual report	1	1	1	1	1
2	Existence of a risk management division	1	1	1	1	1
3	Risk management framework	1	1	1	1	1
4	Duties and responsibilities of risk management division	1	1	1	1	1
5	Risk management certification held by employees	1	1	1	1	1
6	Market risk management	1	1	1	1	1
7	Credit risk management	1	1	1	1	1
8	Liquidity risk management	1	1	1	1	1
9	Operational risk management	1	1	1	1	1
10	Risk profile	1	1	1	1	1
		1.00	1.00	1.00	1.00	1.00
	Corporate Governance Implementation Reporting					
1	Corporate Governance implementation report in the annual report	1	1	1	1	0
2	Corporate Governance framework	1	1	1	1	0
3	Code of Conduct	1	1	1	1	0
4	Corporate Governance self-assessment	1	1	1	1	0
5	Corporate Governance assessment by an external party	1	0	0	1	1

Appendix V: Loan Loss Index

Percentage Loan Loss (2014 Financial Year)	1.76%	1.46%	1.55%	1.69%	1.64%
Loan Loss Index	98.24%	98.54%	98.45%	98.31%	98.36%
Loan loss Index (0f 25%)	24.56%	24.64%	24.61%	24.58%	24.59%
Ranking (Loan Loss Index)	5th	1st	2nd	4th	3rd